

The Commission finds, therefore, that the use of actual industrial sales volumes is proper and results in an increase in revenues in the amount of \$754,425 and a corresponding increase in the cost of gas in the amount of \$502,084.

Unamortized Gain

7. In Order No. 4918b of Docket No. 82.6.40, the Commission ruled to reduce rate base by the unamortized gain on reacquired debt. Applicant did not include such a calculation in this interim filing. In keeping with interim rules, the Commission finds a rate base reduction for the unamortized gain on reacquired debt to be proper for interim purposes. Using a methodology similar to that approved in Order No. 4918b, the resulting adjustment is a decrease in rate base in the amount of \$201,630.

Depreciation

8. In their interim filing, Montana-Dakota Utilities Company included an increase to depreciation expense in the amount of \$186,649. Since this adjustment results from a new depreciation study which the Commission has not yet analyzed, the Commission finds that this adjustment is inappropriate. The Commission, therefore, finds a reduction to the Company's proforma balance of depreciation expense in the amount of \$186,649 to be proper in this interim proceeding.

Amortization of Pre-1974 Gain

9. In Order No. 4918b of Docket No. 82.6.40, the Commission included an adjustment for amortization of pre-1974 gain on debt required at a discount. Applicant did not include such a calculation in this interim filing. In keeping with the interim rules, the Commission finds such an adjustment to be proper in this interim proceeding. The resulting adjustment is \$14,000 as an increase to net operating income to reflect the pre-1974 gain on reacquired debt.

Labor Expense

10. In the calculation of labor expense, Montana-Dakota - Utilities Company included an addition of commissions, bonuses, overtime, part-time and temporary labor, and other. The Commission finds that for interim purposes the elements of commissions and other should be eliminated in the calculation of the percentage increase of labor expense from 1982 to the end of 1983 as a known and measurable change. The commissions related greatly to the non-gas utility activity of appliance sales, and, therefore should not be included as a viable component in determining the 1983 percentage increase to gas utility labor expense. The labor component of "other" was unexplained, and, therefore, can not be included in the calculation of 1983 labor expense percentage increase because they are unidentified as relating to the gas utility. The Commission finds a resulting decrease to labor expense in the amount of \$37,212 to be proper in this Interim proceeding.

Gas Prepayments

11. As part of their rate base, Montana-Dakota Utilities Company included gas prepayments, which is consistent with past procedures. The Company, however, did not show the effect of 1983

recoupment of gas prepayments. The Commission finds that recognition of such recoupment is proper as a known and measurable offset to the gas prepayment balance. The resulting approved adjustment is a rate base reduction in the amount of \$213,825.

CIG - Related Expenses and Facilities

12. Order Nos. 4918b and 4918c discussed Montana-Dakota-Utilities Company's loss of off system sales to CIG. Order No. 4918c determined that the issue should be considered separately in a Phase II hearing. That procedure will allow all parties a fair opportunity to address the various parties' concerns.

The interim rules allow the Commission to use its discretion in determining proper adjustments. Because the issue of CIG sales has not yet been resolved at the time of this Interim Order, the Commission believes a conservative approach is desirable for this issue. The Commission, therefore, finds the exclusion of CIG-related expenses and rate base items to be proper in this interim proceeding to avoid the prejudgment of the Phase II procedure in Docket No. 82.6.40. Such exclusion is proper because the outcome of the aforementioned Phase II proceeding is not known and measurable.

13. Two expense adjustments identified as CIG-related are the Madden compressor station rental and the purchase of gathering system and compressors from Koch Oil Co. Based on Finding of Fact paragraph No. 12, the Commission finds it appropriate to exclude these expenses in the amounts of \$56,128 and \$243,689 respectively.

14. In Docket No. 82.6.40, three rate base facilities, Koch Gathering System, Hathaway Compressor State, and Elk Basin Compressors, were identified as CIG-related. Upon-inquiry, the 12" Loopline to Elk Basin and the Belle Fourche Compressor were also identified as CIG-related. Based on Finding of Fact paragraph No. 12, the Commission finds their exclusion from rate base to be proper in this interim proceeding. The resulting rate base adjustment is in the amount of \$3,512,310, with the related adjustments to depreciation expense (a decrease), current taxes (an increase), and deferred taxes (a decrease), being \$98,341, \$139,967 and \$84,453 respectively.

Pro Forma Interest Expense

15. Using the adjusted rate base, the Commission calculated an adjusted tax effect of interest on construction. By utilizing the approved interim rate base and the weighted cost of long-term debt approved in Order NO. 4918b, the Commission finds an increase to Montana Corporation License Tax in the amount of \$4,589 and an increase to Federal Income Tax in the amount of \$29,164 to be proper in this interim proceeding.

Revenue Requirement

16. The following table shows that additional annual revenues in the amount of \$4,830,862 are needed by the Applicant in order to provide the opportunity to earn an overall return of 11.08 percent:

PUBLIC SERVICE COMMISSION ADJUSTMENTS APPLY MONTANA-DAKOTA UTILITIES CO. INTERIM PRO FORMA .

	MDU Per Books	MDU Interim Adjustmts	MDU Interim Pro Forma	Total PSC Adj to MDU Pro Forma	Approved Interim Pro Forma	Increase Required For 11.08% Ret.	TOTAL
OPERATING REVENUES	\$71,075,484	(\$1,402,957)	\$69,672,527	\$ 754,425	\$70,426,952	\$4,830,862	\$75,257,814
EXPENSES:							
Cost of Gas	\$53,831,573	(\$5,842,025)	\$47,989,548	\$ 502,084	\$48,491,632		\$48,491,632
Operating & Maintenance	14,010,574	\$ 963,119	\$14,973,693	\$(337,029)	\$14,636,664		14,636,664
Total O&M	\$67,842,147	(\$4,878,906)	\$62,963,241	\$ 165,055	\$63,128,296		63,128,296
Depreciation & Depletion	2,143,352	\$ 186,649	\$ 2,330,001	\$(284,990)	\$ 2,045,011	\$ 2,045,011	
Taxes Other Than Income	\$ 1,359,383	\$ 71,095	\$ 1,430,478	\$ 754	\$ 1,431,232	\$ 4,831	\$ 1,436,063
State Income Taxes - Current				\$ 75,951		\$ 325,757	
Federal Income Taxes - Current				\$ 482,649		\$ 2,070,126	
Total Current Income Taxes							
Taxes	\$ (960,884)	\$1,692,983	\$ 732,099	\$ 558,600	\$ 1,290,699	\$ 2,395,883	\$ 3,686,582
Deferred Income Taxes	(\$ 1,004,952)	0	(\$1,004,952)	\$ 84,453	(\$ 1,089,405)		(\$ 1,089,405)
Investment Tax Credits	\$ 883,694	0	\$ 883,694	0	\$ 883,694		\$ 883,694
Amortization of Investment Tax Credits	(\$ 14,820)	0	(\$ 14,820)	0	(\$ 14,820)		(\$ 14,820)
Total Operating Expenses	\$70,247,920	(\$2,928,179)	\$67,319,741	354,966	\$67,674,707	2,400,714	70,075,421
OPERATING INCOME	\$ 827,564	\$1,525,222	\$ 2,352,786	\$ 399,459	\$ 7,752,245	\$ 2,430,148	\$ 5,182,393
Amortization of Pre-1974 Profit on Debt Reacquired @ discount	0	0	0	\$ 14,000	\$ 14,000		\$ 14,000
Total Available For Return	827,564	\$1,525,222	\$ 2,352,786	\$ 413,459	\$ 2,766,245		\$ 5,196,393
Rate Base	\$50,595,830	\$ 230,789	\$50,826,619	(\$3,927,765	\$46,898,854		\$46,898,854
Rate of Return	1.64%		4.63%	5.90%			11.08%

CONCLUSIONS OF LAW

1. Applicant, Montana-Dakota Utilities Company, is a corporation providing service within the State Of Montana and as such is a "public utility" within the meaning of Section 69-3-101, MCA.
2. The Montana Public Service Commission properly exercises jurisdiction over the Applicant's Montana operations pursuant to Title 69 5 Chapter 3, MCA.
3. Section 69-3-304, MCA, provides, in part, "The Commission may, in its discretion, temporarily approve increases pending a hearing or final decision."
4. The rate levels and spread approved herein are a reason able means of providing interim relief to Montana-Dakota Utilities Company. The rebate provisions of Section 69-3-304, MCA, protect ratepayers in the event that any revenue increases authorized by this order are found to be unjustified in the final order in this Docket.

ORDER

THEREFORE THE MONTANA PUBLIC SERVICE COMMISSION ORDERS THAT:

1. Applicant, Montana-Dakota Utilities Company, is hereby granted authority to implement on an interim basis increased rates designed to generate \$4,830,862 in additional revenues on an annual basis.
2. Rates will be filed in such a manner as to maintain the 25 percent rate differential between "Winter" and Remainder Of The Year" rates.
3. Montana-Dakota Utilities Company is to file revised rate schedules reflecting a uniform percent increase to all rates and charges.
4. Rate schedules filed shall comport with all Commission determinations set forth in this Interim Order.
5. Interim revenues granted herein are subject to rebate should the final order in this Docket disapprove this interim revenue increase. Pursuant to the amendment of Section 69-3-302(2), MCA, approved by the 48th Legislature, and effective October 1, 1983, the rebate interest rate will be the cost of equity capital last determined by the Commission, which is 14.15 percent.
6. Nothing in this Interim Order precludes the Commission from adopting in its final order, after review the entire record in this Docket, a revenue requirement different from that contained in this order.
7. The interim relief granted in this order is to be effective for natural gas service rendered on and after October 3rd, 1983.

DONE IN OPEN SESSION at Helena, Montana, this 3rd, day of October, 1983 by a 4-0 vote.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION.

Thomas J. Schneider, Chairman

Howard L. Ellis, Commissioner

Clyde Jarvis, Commissioner

Danny Oberg, Commissioner

ATTEST:

Madeline L. Cottrill
Commission Secretary

(SEAL)

NOTE: Any interested party may request the Commission to reconsider this decision. A motion to reconsider must be filed within ten days. See 38.2.4806, ARM.